

VZCZCXYZ0000
OO RUEHWEB

DE RUEHUM #0308/01 2990947
ZNY CCCCC ZZH
O 260947Z OCT 09
FM AMEMBASSY ULAANBAATAR
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3076
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6525
RUEHMO/AMEMBASSY MOSCOW PRIORITY 2617
RUEHUL/AMEMBASSY SEOUL PRIORITY 3804
RUEHKO/AMEMBASSY TOKYO PRIORITY 3452
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUEKJCS/SECDEF WASHINGTON DC PRIORITY

C O N F I D E N T I A L ULAANBAATAR 000308

SIPDIS

STATE FOR EAP/CM AND S/ES

E.O. 12958: DECL: 2029 OCT 26

TAGS: PGOV PREL MG

SUBJECT: PRIME MINISTER BAYAR STEPS DOWN, CITING HEALTH

REF: Ulaanbaatar 293

CLASSIFICATION DRV DSCG 2005-1. REASONS 1.4 (B)(D)

¶1. (C) Summary: On October 26, Prime Minister Bayar announced his resignation for health reasons. Because Bayar is resigning for health reasons, he may be able to return to his position once he has recovered, as long as his party leadership and the government agree. Some observers are terming this resignation a "leave of absence" in anticipation of Bayar's eventual return. His resignation is unlikely to change the composition of the coalition government that his party shares with the Democratic Party (DP). Bayar's politically astute ex-wife, Khulan, told us that excessive pressure from the Russians related to a potential future investment agreement for the world-class deposits of coal at Tavan Tolgoi in far southern Mongolia also led Bayar to step down, in light of his health condition. End Summary.

¶2. (SBU) On October 26, General Secretary Khurelsukh of the Mongolian People's Revolutionary Party (MPRP) held a press conference to announce the resignation of Prime Minister Bayar. The resignation may take effect as early as Wednesday, when the MPRP convenes to determine who the new PM will be and whether to maintain a coalition government with the Democratic Party (DP). The MPRP caucus is meeting informally at the time of drafting to discuss the succession. GOM officials are not yet certain if the new PM will carry the term "Interim" or similar.

¶3. (SBU) Khurelsukh stated at the press conference that Bayar sent a letter to the MPRP leadership requesting to resign for health reasons. (Note: Press reports have speculated in recent weeks that Bayar's recent medical treatments in Korea have been for hepatitis C.) Because the Prime Minister is resigning for health reasons, his resignation can be considered a leave of absence, which opens the door to his return as prime minister, so long as his successor and the government agree to his return. After the press conference, Khurelsukh told local news outlets that the MPRP Steering Council is in favor of allowing the current coalition government to stay in place beyond Bayar's resignation.

¶4. (SBU) No clear successor has yet emerged, but six names have already surfaced from the MPRP's ongoing informal discussions. They are:

- Sukhbaataryn BATBOLD, Foreign Minister and MP
- Nyamaa ENKHBOLD, Deputy Speaker and MP
- Miyegombo ENKHBOLD, Second Deputy Prime Minister and MP
- Chimed KHURELBAATAR, Budget and Standing Committee Chair and MP
- Tsend MUNKH-ORGIL, MP and former Justice Minister
- Nambaryn ENKHBAYAR, former President of Mongolia

15. (SBU) Of the six, Foreign Minister Batbold appears to have the greatest support at this early stage. Certain members of the Cabinet have suggested that the new PM should be selected from among the remaining MPRP ministers, implying also that the coalition government with the DP - and their own jobs - should be preserved. Since Bayar has resigned for health reasons, there is no requirement in the law that the Cabinet resign. Moreover, if Batbold takes the PM position and Bayar later wishes to return as the PM after a "leave of absence" period, Batbold could return to the foreign minister position. Furthermore, Vice Foreign Minister Bolor suddenly stood in for FM Batbold at the recent UNGA meetings at a time when Bayar was in Korea for medical treatment, indicating that the MPRP may have been considering Batbold as a successor or fill-in for Bayar as early as a month ago.

16. (SBU) BayarQs resignation comes after his two extended visits to Seoul this summer and fall for medical treatment and on the heels of the signing of the Oyu Tolgoi Investment Agreement (OTIA); Ivanhoe Mines paid the initial allotment of USD 100 million to the GOM per the investment agreement just last week (see reftel). Post does not anticipate that this change in leadership will affect the OTIA, which will be a central element of BayarQs legacy as PM. Moreover, Bayar will retain his position as Chairman of the MPRP and as a Member of Parliament.

Future of the Coalition Government

17. (SBU) Of the six potential successors, Enkhbayar or Munkh-Orgil would be more likely to dispense with the DP coalition and establish his own all MPRP-team, which would be possible since the MPRP enjoys an absolute majority in Parliament with 46 of 76 seats. Enkhbayar has much personal political rebuilding to do after his loss in the May presidential election, and Munkh-Orgil is inclined to install a cadre of technocrats from the younger wing of the MPRP. M. Enkhbold owes his current position as Second Deputy Prime Minister to the establishment of the coalition government and as such is in a weak position to disassemble the coalition. The remaining three contenders are favorably disposed toward the coalition government.

Another Option for Bayar

18. (SBU) Because Bayar will maintain his party chairmanship and his seat in Parliament, he would be well positioned to replace Speaker Demberel, who is the oldest MP and unlikely to resist if the politically stronger Bayar insists. The Speaker position requires a much less strenuous pace than that of prime minister. Moreover, the Speaker position is in best way for Bayar to maintain both power and visibility in anticipation of his next opportunity to become prime minister after the 2012 parliamentary elections, as well as to run for president in 2013, assuming his health improves.

Russian Pressure also a Factor

19. (C) Post has learned from Bayar's politically astute ex-wife, Khulan, that Russian pressure, on top of Bayar's poor health, was also a significant factor in his decision to resign. Khulan said the Russians' pressure on Bayar has increased significantly since the OTIA signing (she did not specify what type of pressure this was), and that the Russians were keen to position themselves well for any future investment agreement related to the world-class deposits of coal at the separate Tavan Tolgoi deposit in far southern Mongolia. Moreover, Bayar would be challenged to cope with such pressure because he will need to return to Korea once every two months over the next year for additional medical treatment. Bayar was Ambassador to Russia from 2001 to 2005.

~~¶~~10. (U) Post will report additional developments septel.

HILL